SETTING OFF IN THE RIGHT DIRECTION

The Link Between Strategic Goals and Compelling Lean Transformation

Simon Hardiman, Head of Transformation and ACE
United Technologies Corporation (UTC)
UTC Aerospace Systems

Nearly all aircraft today rely on systems and components from UTC Aerospace Systems. We are one of the world’s largest suppliers of advanced aerospace and defense products for business, military and international customers.

Visit the UTC Aerospace Systems website

Key Facts

41,000
Employees

$14.7B
Net sales

$2.5B*
Adjusted operating profit

Our companies conduct operations in more than 180 locations in 26 countries.
We have the largest and most comprehensive aftermarket business in our industry.
Our products provided critical assistance to the Apollo 11 moon landing in 1969.

*Adjusted operating profit is a non-GAAP financial measure. For additional information regarding this use of this measure, the corresponding amounts prepared in accordance with generally accepted accounting principles (GAAP) and a reconciliation of the differences between the non-GAAP and GAAP measures, please refer to page 69 in the UTC 2017 Annual Report.
Personal background

1994
1999
2006
2013
KNOWING WHERE YOU ARE GOING IS THE FIRST STEP TO GETTING THERE

Ken Blanchard
The Problem to be Solved

Customer Value Proposition

MOTIVATION (Desire to Change)
What
No Means to change
No compulsion

GOAL (Clear axis of advance)
Why
No focus

INFRASTRUCTURE (A means to change)
How
How this works…
The Typical ‘Company Name’ Operating System

Technology, tools, and techniques
Process Management

Above the cloud base - visible
Below the cloud base - enabling

Strategy, value, and goal alignment
Leadership creating the cultural tone
Behaviours and engagement

INFRASTRUCTURE FOCUS
(A means to change)

Less focus on vision or goals
Little compulsion beyond reactive problem solving

Adapted from Hines et Al, 2008
Critical Success Factors

**Critical Success Factors**

**Leadership Behaviour**
- Goals aligned to customer value

**Problem Solving**
- Problems defined and resolved

**Engaged Employees**
- Leaders set goals and develop employees to solve problems

**Direction / goals**
- Employees solve business problems improving KPIs

**Customer Value**
- Value Stream Mapping
- Measurement / KPI
- Follow up on actions
- Standardised work

**Factors For**
- Tangible Benefits from Continuous Improvement

**Factors Against**
- Imposed CI or Change
- Lack of rigor in problem solving
- Lack of standardisation
- Lack of direction
- Lack of leadership
- Mandated CI process
- Lack of follow-up on actions
- Leadership direction & focus changing
- Dis-engaged Employees
The Motivational Aspect
When the Goal is just a Dream…
Producing what the customer is willing to pay for (Value)
Where is your issue?

- **MOTIVATION** (Desire to Change)
  - No Means to change

- **GOAL** (Clear axis of advance)
  - No focus

- **INFRASTRUCTURE** (A means to change)
  - No compulsion

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**Strong goal**

Tools / infrastructure in place

Motivation to change

Strong Customer Value Proposition
Case Study

**MOTIVATION** (Desire to Change)

- No Means to change
- No focus
- No compulsion

**GOAL** (Clear axis of advance)

- What
- Why
- How

**INFRASTRUCTURE** (A means to change)

**Strong goal**

Tools / infrastructure in place

**Motivation to change**

Strong Customer Value Proposition
The Challenge was Verbalised as:

- Silo mentality
- Operating System is a tick box exercise
- Great employee benefits but not achieving engagement

Underlying issues:

- Create strong functions and expect system performance
- Train employees in the Operating System and expect Continuous Improvement
- Provide employee benefits and expect engagement
The Hypothesis

Leadership
Develops employees
By empowering them to solve their day to day problems
In alignment with the goals of the company
Resulting in engagement

One obstacle at a time…
Back to the Problem…

MOTIVATION (Desire to Change)
GOAL (Clear axis of advance)
INFRASTRUCTURE (A means to change)

No Means to change
What
Why
No focus
How
No compulsion

Strong goal
Tools / infrastructure in place
Motivation to change
Strong Customer Value Proposition

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One obstacle at a time…

In alignment with the goals of the company

<table>
<thead>
<tr>
<th>Strong goal</th>
<th>Tools / infrastructure in place</th>
<th>Motivation to change</th>
<th>Strong Customer Value Proposition</th>
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<td>4/10</td>
<td>8/10</td>
<td>2/10</td>
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Systemic Solution

Policy Deployment (Hoshin): Site level 5 year goals
Site level 1 to 3 year initiatives
1 Year Improvement Targets

Organisational design:
Value Streams to manage flow of customer value
Functions to provide process excellence

All department and Value Stream actions required to achieve each improvement target are input to the improvement target action plan

Each Value Stream places the planned actions to achieve the improvement target on their macro plan

Each Value Stream and Function populates their process metric boards to support the dashboard metrics

Each metric is given an owner and the target achievement included in their annual appraisal targets

Tiered Governance to confirm progress and accountability
The solution is Verbalised as:

- **Value Stream effectiveness, Functional efficiency**
  - Create a system to deliver both functional efficiency and cross functional effectiveness aligned to customer value to get system performance

- **Operating System helps me achieve my goals**
  - Define the ‘golden thread’ and its supporting metrics to drive continuous improvement

- **I understand my value to the business, my work is important**
  - Provide clear and compelling vision, direction and goals, develop employees to solve their problems relative to this direction and expect engagement
I KNOW WHERE I AM GOING, HOW TO GET THERE, AND I WANT TO GO THERE.
Thank you for listening…

I hope you land safely at your chosen destination.